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SUBJECT: ESTONIA TO CODEL BERKLEY: U.S. VALUES MAKE WORLD  
BETTER

REF: TALLINN 87

11. (SBU) SUMMARY: The April 14-15 visit to Tallinn by the Congressional delegation led by Representative Shelley Berkley (D-NV) provided an occasion for a clear affirmation of the strong U.S.-Estonia relationship. Media coverage was widespread and positive. All Estonian interlocutors urged caution on U.S. engagement with Russia, and expressed concern that Ukraine would be the next target of Russian aggression. Both sides agreed on the importance of energy diversification in the face of Russia's energy gamesmanship. Senior officials from the Bank of Estonia emphasized that the Government of Estonia (GOE) had exhausted its fiscal stimulus options over the past 18 months, but remained on track for Euro accession in 2011. GOE officials affirmed that relations between the ethnic Estonians and Russians in Estonia were progressing in a positive direction. Prime Minister Ansip's key message to the Congressional delegation was: "Keep U.S. values the same, and the world will be better." END SUMMARY.

12. (SBU) During a two-day stop in Tallinn en route to Prague for the Trans-Atlantic Legislators' Dialogue, the seven-member CODEL Berkley discussed financial stability, Russia, energy and integration issues with Prime Minister Andrus Ansip, President Toomas Hendrik Ilves, parliamentary leaders, the Governor of the Bank of Estonia (BOE) and Estonia's preeminent think tank. Representative Berkley was accompanied by Rep. Virginia Foxx (R-NC), Rep. Phil Gingrey (R-GA), Rep. Paul Kanjorski (D-PA), Rep. Ron Klein (D-FL), Rep. John Carter (R-TX), and Rep. Steve Cohen (DTN).

THE ECONOMY: Glimmers of Hope, but Recovery Slow

13. (SBU) Senior officials at the Bank of Estonia told the CODEL that recovery would depend on regional and global recovery as Estonia's economy is export driven (foreign trade equaling more than 150 percent of GDP). They added that the Nordic banks which dominate Estonia's banking sector were stable and had sufficient capital buffers to resist further increases in the non-performing loan (NPL) ratio (currently at 4 percent). BOE Deputy Governor Marten Ross explained that Estonia did not have plans to introduce additional stimulus programs now. The recession began six months earlier in Estonia than in the U.S., he explained, and the GOE used up its fiscal stimulus tools then. BOE Governor Lipstok affirmed that Estonia remained on track to adopt the Euro by 2011, and intended to maintain a low government deficit (less than 3 percent). Also on a positive note, trading with Russia was marginally easier now, the Estonian side noted, as Russian

firms seemed more cost-sensitive, and more willing to put the bottom line ahead of politics.

#### ENERGY: Diversify the neighborhood

14. (SBU) PM Ansip highlighted the importance of regional projects to diversify Estonia's energy supply. He asserted that Estonia was prepared to invest in a new nuclear power plant (NPP) to replace the one in Lithuania, but he noted Estonia was also considering its own domestic NPP (using U.S. technology). Ansip also highlighted Estonia's plans to build a second undersea electricity cable to Finland by 2013, and the possibility of an LNG terminal "in the region" to further diversify supply routes.

15. (SBU) Speaker of Parliament Ene Ergma and MP Sven Mikser both highlighted Russia's efforts to control energy flow from the Caspian Sea. Mikser maintained that ongoing conflicts in the Caspian region led Russia to covet Georgia's access to the sea as a potential route to move Russian fuel into Western Europe. President Ilves also outlined his concern over Russia's use of energy to wield political influence in Europe, noting Gazprom executives had successfully recruited EU officials to make their case.

#### RUSSIA: Cautious about U.S. "reset" button

16. (SBU) Across the board, the Estonians stressed the importance of western unity in dealing with Russia. PM Ansip expressed his concern that Ukraine would be the next target of Russian aggression, and he expressed gratitude to President Obama for reaffirming NATO's Article V collective defense

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guarantee. Speaker Ergma urged the U.S. to continue to try to find a solution "to Russia," but noted that reducing the number of nuclear weapons "wouldn't make that much difference since all that was required was one or two nuclear weapons." MP Sven Mikser added that the West had agreed to certain sanctions on Russia after its invasion of Georgia. Should we reward Russia, he asked, because the U.S. elected Obama? It was important to remember, he concluded, that Russia was still corrupt, there was no rule of law, and the West should re-engage based on progress inside Russia, not outside events. Most Estonians with whom the CODEL met emphasized that the U.S. should continue to impress upon Russia that the time for dividing the world into spheres of influence is over.

17. (SBU) Kadri Liik, Director of the International Center for Defense Studies, echoed remarks by former EUR DAS David Kramer at a conference in Tallinn in March, saying "Russia will try to screw the United States whenever it can." Resetting relations with Russia, she maintained, would only lead to a temporary thaw in relations. Russia needed to behave more like an adult and less like a "rebellious teenager" or real progress will be impossible. On issues that were in Russia's interest (such as containing Iran's nuclear ambitions), Liik said she believed Russia would always be more concerned with blocking America than with cooperation. Echoed later by the Speaker and the President, Liik said that the intertwining of government authority and the intelligence services in Russia would make real democratic change impossible to achieve.

#### INTEGRATION: Russian Influence

18. (SBU) Both President Ilves and the MPs stressed that, overall, relations were good between ethnic Estonians and Russian speakers in Estonia. While there were no active or influential Russian political parties, MPs maintained that ethnic Russians were represented in Parliament by virtue of their membership in Estonian political parties. President Ilves acknowledged that there were a large number of Russian citizens and "stateless" residents in Estonia, but he pointed out that while they were not part of the Estonian mainstream, the fact that they were content to live and work in Estonia meant that they did not wish to be part of the

Russian Federation either. MP Mikser said there were some agitators with "links across the border" who sought to provoke ethnic tensions in Estonia, but he cautioned that the Bronze Soldier riots of April 2007 had to be seen in perspective. These disturbances were perpetrated by "a small band of rioters" (1,500 individuals out of a Tallinn population of 400,000) who broke windows and set a few cars on fire. Mikser pointed out that in France, on the night President Sarkozy was elected, protestors set more than 700 cars ablaze.

#### MESSAGE TO THE AMERICAN PEOPLE

¶9. (U) Ansip told the CODEL that Estonia owed its re-independence in 1991 as much to President Reagan and the U.S. non-recognition policy, as to its own efforts. This, coupled with America's strong values system and its defense of freedom, made it Estonia's "moral duty" to support American policy today. Asked for one message that he would send to the U.S. Congress, Ansip said: "Keep U.S. values the same and the world will be better."

#### MEDIA COVERAGE

¶10. (U) CODEL Berkley and PM Ansip reaffirmed our strong bilateral ties in a joint press conference. Questions touched on regional energy security and the financial crisis, and overall coverage of the visit was very positive. In terms of reach, and in spite of a competing news event across town, media attendance and coverage of the joint press conference was good, with Estonian State Television (ETV), Kanal 2 (Estonia's most popular television broadcaster), Molodyozh Estonii (the oldest and most respected Russian-language newspaper in Estonia), as well as Estonian Public Radio covering the event. In addition, the Baltic News Service (BNS), a pan-Baltic wire service, carried articles of the visit and press conference in their 4/16 roundup. Online reporting and coverage also was active across a broad range of outlets.

¶11. (U) CODEL Berkley cleared this cable.

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